

Greek Bonds Giving 400% Return

April 24 (Bloomberg) -- Shut out of international bond markets for four years, Greek Prime Minister Antonis Samaras wasn't going to take any chances with his country's return.

He began months ago lining up investors for the April 10 debt sale, which proved irresistible to the likes of BlackRock Inc. and Invesco Ltd. The keystone for his pitch was a September meeting with investors at JPMorgan Chase & Co.'s headquarters in Manhattan hosted by Chief Executive Officer Jamie Dimon, according to two people with knowledge of the matter, who asked not to be identified because the event was private.

The charm offensive paved the way for a 3 billion-euro (\$4.2 billion) offering that drew orders for almost seven times that amount. While the nation remains blighted by deflation and the highest unemployment in Europe, the sale underscored Greece's strengthening ties across the euro area as it seeks to overcome the stigma of starting a region-wide financial crisis and carrying out the biggest-ever restructuring. [...]

Buying Bonds

Hodges bought about 30 million euros of the new five-year Greek bonds for the Legal & General Dynamic Bond Trust he runs, he said. That amounts to about 1 percent of the fund and, while other money managers at Legal & General also bought the securities, this was the largest purchase, he said. His fund returned 11 percent in the past five years and is in the 94th percentile of its peers, data compiled by Bloomberg show.

Demand for Greece's notes was led by "real money investors," or those that use existing funds rather than borrowed cash for the investments, according to the Finance Ministry.

Asset managers purchased 49 percent of the debt and hedge funds bought 33 percent, it said. Pension and insurance funds were allocated 4 percent and banks took 14 percent.

Quick Exit

The yield on the new April 2019 notes climbed to 5.16 percent on April 14 before falling to 4.82 percent at 1:25 p.m. London time today.

Frankfurt-based ACATIS IfK Value Renten UI sold the 3 million euros of notes it bought in the first hour of trading on April 11 at 4.85 percent, making a "small profit," according to Martin Wilhelm, who helps manage about 400 million euros for the fund.

"We still own about 7 million euros of the 2029 bonds," he said in a phone interview on April 17. "It is better to buy Greece than buy Spain, as they carry about the same story."

Greek government securities returned 30 percent this year through April 22, more than double the next-best performance among the 34 sovereign markets tracked by the Bloomberg World Bond Indexes, extending their world-beating returns into a third year. Spain's earned 7 percent.

The yield on the Greek benchmark 10-year bond was at 6.11 percent today, having fallen from more than 8 percent at the start of the year. The price of the 2 percent securities maturing in February 2024 was at 79.5 cents on the euro, up from 25.5 when they were created under the 2012 debt restructuring that saw investors accept losses of more than 100 billion euros. [...]

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